

NT MINERALS & ENERGY INVESTMENT SEMINAR

April 2014

Gavin Lockyer
Managing Director



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455



DISCLAIMER



Important Notice

This presentation contains certain statements which may constitute “forward-looking statements.” Such statements are only expectations or beliefs and are subject to inherent risks and uncertainties which could cause actual values, results or performance achievements to differ materially from those expressed or implied in this presentation. No representation or warranty, express or implied is made by Arafura Resources Limited (“**Arafura Resources**”) that any forward-looking statement contained in this presentation will occur, be achieved or prove to be correct. You are cautioned against relying upon any forward looking statement.

Except for statutory liability which cannot be excluded, each of Arafura Resources and its related body corporates and their officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this presentation and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error in it or omission from it. Arafura Resources accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person, nor any obligation to furnish the person with any further information.

This presentation does not constitute an offer of securities in Arafura Resources, nor an invitation to apply for such securities. This presentation does not provide investment advice or financial product advice. You should obtain professional advice and carry out your own independent investigations and assessment of the information in this presentation (including any assumptions) before acting.

Information in this presentation which is attributed to a third party source has not been checked or verified by Arafura Resources.

The information in this presentation that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Richard Brescianini BSc (Hons). Mr Brescianini is a Member of the Australian Institute of Geoscientists and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)”. Mr Brescianini consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Mr Brescianini is a full-time employee of Arafura Resources.



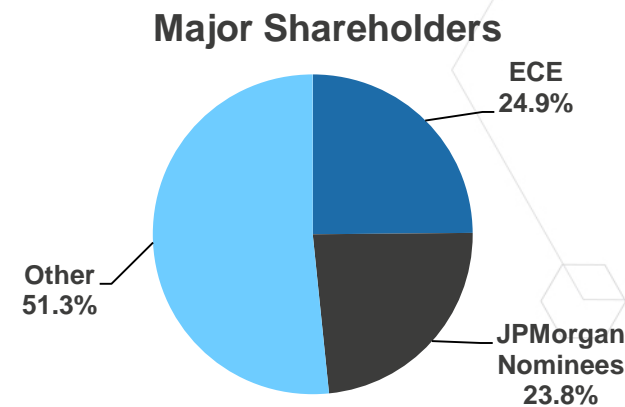
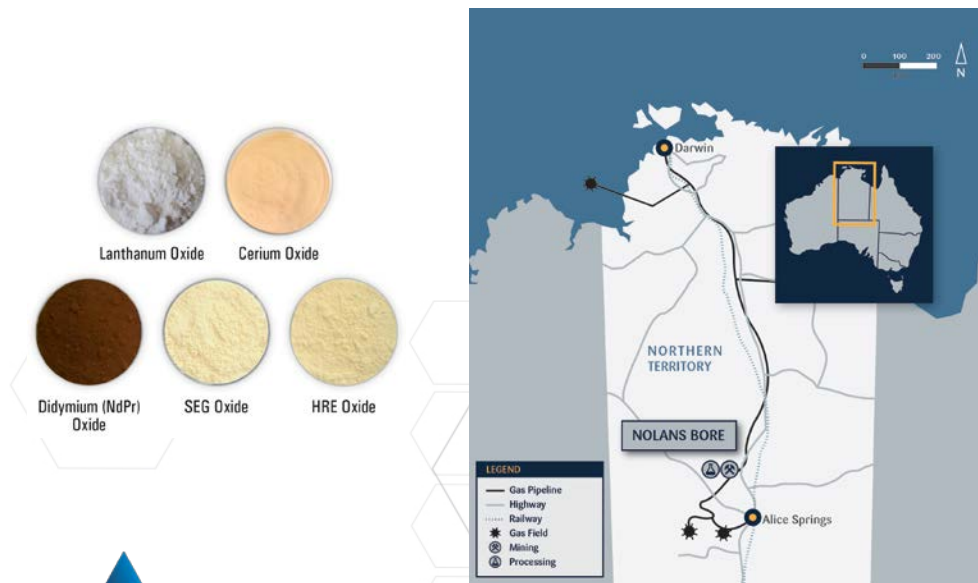
COMPANY SNAPSHOT



▲ Arafura is an ASX listed company developing a major rare earths project in the Northern Territory – **the Nolans Project**

▲ Offices in Perth and Darwin

ASX Code	ARU
Shares on offer	441.3 million
Options	11.5 million
Market Cap @ 10c	A\$44.1 million
1-year range	6.0 – 14.0 cents
Cash at 31/3/14	A\$22.8 million
Debt	nil



Arafura Resources Limited (ASX: ARU)

OPTIMISTIC OUTLOOK FOR RARE EARTHS



Market Segment	Driver	Market Share by Value	Demand Growth ¹	Arafura's RE Product	Revenue Contribution ²
Magnets	HEVs, Wind Energy	63%	10%	NdPr	67.5%
Phosphors	Electronics, Lighting	8%	4%	SEG	11.8%
Metal Alloys	Various	8%	6%	HRE	0.6%
Polishing & Glass	Optics, UV Filtering	7%	4%	SEG	8.7%
Ceramics	Electronics	5%	5%	HRE	0.3%
Batteries	HEVs, Electronics	5%	7%	La	0.6%
Catalysts	Emissions Controls, Oil Refining	4%	5%	La	2.4%
TOTAL		100%	6-7%		

- ▲ Further tightening of Chinese RE supply will **enhance Western supply opportunities**
- ▲ Arafura will derive **most of its revenue** from Nolans RE products that feed the **highest value market segments** with the **strongest demand outlook**

¹ 2014-2020

² Contribution to RE Product Revenue from target Market Segment



FLAGSHIP NOLANS PROJECT – HIGHLIGHTS



- ▲ Underpinned by a **world-scale, low-risk resource** in the Northern Territory
- ▲ Project status – **well advanced** with Feasibility in progress
- ▲ Potential to supply **10% of the world's rare earths demand**
- ▲ Significant **Ore Reserves** established
- ▲ **Five REO products** separated to 99% purity
- ▲ **Initiatives underway** to significantly **reduce capital and operating costs, and optimise** economics
- ▲ **Chinese expertise leveraged** through strategic partnerships

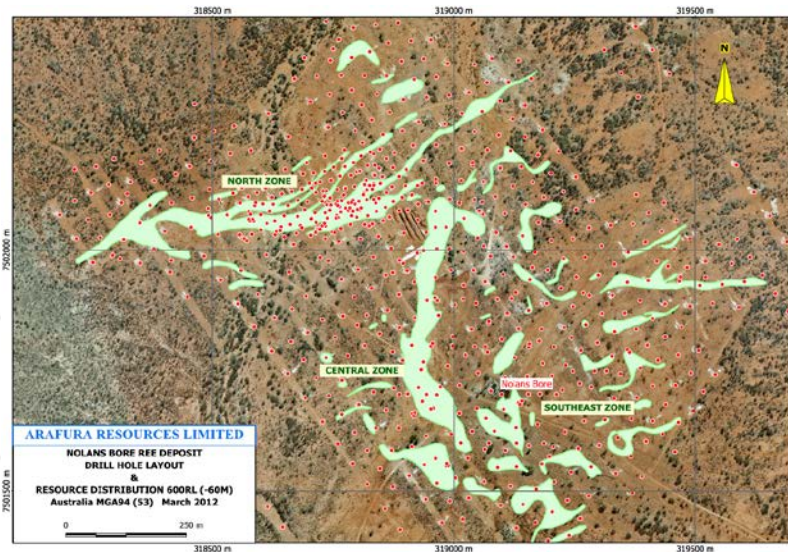


NOLANS PROJECT RESOURCES



Resources	Tonnes (million)	Rare Earths % REO	Tonnes REO	Phosphate % P ₂ O ₅	Uranium % U ₃ O ₈
Measured	4.3	3.3	144,000	13	0.03
Indicated	21	2.6	563,000	12	0.02
Inferred	22	2.4	511,000	10	0.02
TOTAL	47	2.6	1,217,000	11	0.02

1% REO cut-off grade

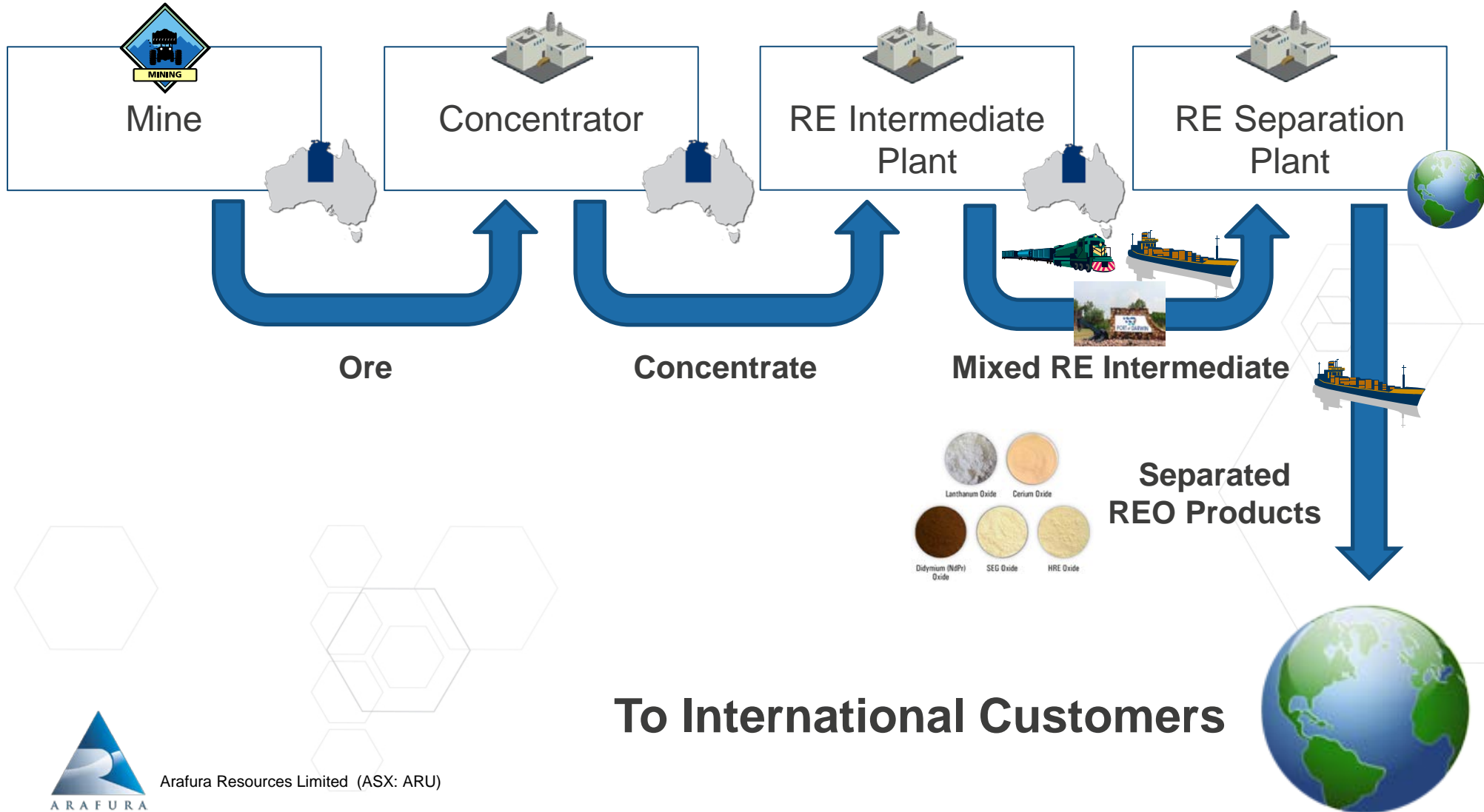


- ▲ **Very high neodymium content** – 20.58% of rare earths mix
- ▲ **Low resource risk** – extensive drilling and detailed material type studies
- ▲ **Expansion potential** – resources at surface and open at depths below 220m
- ▲ Amenable to **low-cost open cut** mining and standard beneficiation techniques



Arafura Resources Limited (ASX: ARU)

NOLANS PROJECT – A RARE OPPORTUNITY FOR THE NORTHERN TERRITORY



Arafura Resources Limited (ASX: ARU)

KEY ELEMENTS TO ACHIEVING NOLANS COMMERCIALISATION



- ▲ Introductions by Shenghe Resources
- ▲ Offshore procurement
- ▲ Other strategic relationships

**2014-2016
Engineering
and
Construction**

**2014
Financing**

- ▲ Financing linked to off-take
- ▲ Sovereign debt facilities
- ▲ Relationships with ECE, Shenghe Resources and ThyssenKrupp

**2014
Project
Optimisation**

- ▲ Chinese technical optimisation program well underway to boost project economics

**Commercialising
the Nolans
Project**

**2014
Off-take
Agreements**

- ▲ MOU with Shenghe Resources
- ▲ LOI with ThyssenKrupp
- ▲ LOI with South Korean multinational

PROJECT OPTIMISATION – CAPITAL & OPERATING COSTS

2014
Project
Optimisation



	Base Case August 2012 (A\$)	March 2014 (A\$)	Savings (A\$)
CAPEX	\$1,912 million	\$1,408 million	\$504 million
OPEX	\$20.55/kg REO	\$15.67/kg REO	\$4.88/kg REO

Savings targeted through:

- ▲ Material improvements in and simplification of the process configuration, and simplification of the supply chain
- ▲ Relocation of the RE Intermediate Plant within Australia, and the RE Separation Plant from Australia to a mature offshore chemical precinct

These savings **exclude** the impact of potential improvements arising from the ongoing Chinese optimisation program.

FINANCING & OFFTAKE PARTNERS

2014
Financing &
Off-take
Agreements



▲ **ECE (East China Mineral Exploration and Development Bureau)**

Major shareholder (24.86%). Long-term strategic partner for Arafura (since 2009)

▲ **Shenghe Resources Holding Co.** (Shanghai Stock Exchange-listed)

MOU executed. Scheduled technical reviews, access to rare earth experts, supply chain exposure and co-funding opportunities (currently allocated 4.5% of Chinese rare earths export quota)

▲ **Chinese Rare Earth experts**

Undertaking technical optimisation program. Provide RE due diligence expertise for financiers

▲ **ThyssenKrupp and South Korean multinational**

LOIs signed. Potential off-takers. Assisting commercialisation through German and Korean Government Debt Schemes



WHAT ARE WE DOING NOW?



- ▲ Undertaking **process optimisation work in China** to further simplify the process configuration – aiming to reduce capital and operating costs
- ▲ Undertaking a **significant exploration and investigation water bore drilling program** in the Northern Burt Basin – aimed at determining the basin’s capability as a stand-alone sustainable supply of water to the reconfigured Nolans Project
- ▲ Planning for an **expanded EIS approval process** that now includes the RE Intermediate Plant and supporting infrastructure
- ▲ Ongoing environmental monitoring
- ▲ Ongoing exploration for rare earths and JVs for other commodities
- ▲ Ongoing liaison with all stakeholders, including strategic partners

WHAT ARE WE DOING NOW?

2014
Investigation
Water Bore
Drilling



Arafura Resources Limited (ASX: ARU)

OUTLOOK & NEXT STEPS



- ▲ **Demand for rare earths remains strong** – forecast annual growth of 6-7%, driven by growth in clean technology (magnets) and technology innovation

- ▲ Focus for Arafura going forward will remain on:
 - **Realising further Nolans Project cost reductions** by improving our technical process efficiencies
 - Building and **formalising strategic partnerships** for funding, off-take and technical opportunities
 - Managing our cash position against backdrop of continuing tight capital markets

- ▲ **Nolans Project Information Memorandum in H1 2014**

- ▲ **Arafura positioned to become the next major rare earths producer by the end of the decade**



THANK YOU
Questions?



ARAFURA
RESOURCES LIMITED

ABN 22 080 933 455

